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C O N F I D E N T I A L MADRID 001359

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TAGS: EINV EPEP KBIO RU SP

SUBJECT: LUKOIL-REPSOL ROLE HIGHLIGHTS IMPORTANCE OF
PRESIDENCY SYG BERNARDINO LEON

REF: A. MADRID 1257

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Classified By: DCM Arnold A. Chacon, for Reasons 1.4 (b) and (d)

¶1. (C) Presidency Secretary-General Bernardino Leon confirmed in a December 22 dinner with the Ambassador that President Zapatero has tasked him with ensuring that Russian (and partly U.S.-owned) oil company Lukoil's pending purchase of a sizable stake in Spain's Repsol takes place on politically acceptable terms. Leon is seeking to limit Lukoil to purchasing the 20 percent stake of Repsol owned by troubled construction company Sacyr Vallehermoso, rather than the almost 30 percent it had originally sought (reflets), so that Lukoil will not become Repsol's most influential shareholder. Zapatero wants to see the sale of Sacyr's stake go through in order to help Sacyr, which has more than 20,000 employees, overcome its current difficulties. King Juan Carlos also has been a proponent of the deal, which is seen as a way of strengthening Spain's relations with Russia. Leon is seeking either to persuade Repsol's other Spanish shareholders to hold their shares or to find Spanish buyers for them. At present, the main hurdle to the Sacyr-Lukoil deal appears to be price, especially with the continuing fall in the price of oil. The Spanish banks who are Sacyr's creditors would finance Lukoil's purchase, as they are reported to prefer to be creditors of Lukoil than of Sacyr if acceptable collateral arrangements can be reached.

¶2. (C) Comment: His involvement in the sensitive Lukoil deal plays up Leon's increasing importance as one of Zapatero's closest advisers, especially on international issues (along with Defense Minister Chacon). The forty-four year-old former deputy foreign minister plays a more policy-oriented role than the coordinating function that usually falls to the presidency secretary-general. He also accompanies Zapatero on all his foreign travel. Leon was supposed to accompany Zapatero to Afghanistan December 23, but the trip was cancelled because of regional government financing discussions, in which he is the government's point man. Leon told the Ambassador he expects to join Zapatero on a trip to Lebanon early in the New Year.

¶3. (C) Comment Continued: Leon does not seek a prominent public role, and he told the Ambassador that a December 22 article in the El Mundo newspaper playing up his super-charged National Security Advisor role did not go over well with with Foreign Minister Moratinos and Second Vice President and Finance/Treasury Minister Solbes. The article described Leon as the brain behind the effort to increase Spain's international influence, particularly with the U.S., and it included several statements that could be read as slights to Moratinos, such as "some say he (Leon) is the real foreign minister and has more influence than the Vice President."

¶4. (C) Comment Continued: Leon clearly will be one of the

key voices shaping Zapatero's views on the next U.S. administration, and he appears to have a better understanding of the U.S. than either Zapatero or other advisers. Leon visited the U.S. in April to meet with advisers to then-candidates Obama, Clinton, and McCain. He is reported to have organized Zapatero's September New York meeting with U.S. business leaders (working through the AmCham), and he directed the ultimately successful campaign to get Spain invited to the November G-20 financial crisis summit. He said he looked forward to meeting with WHA A/S Shannon during the latter's visit in early January. We will seek to maintain our strong relationship with him over the coming months. End Comment.

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